

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3160
ANSWERED ON:22.03.2002
REGULATIONS FOR NON-BANKING FIs
AVSM, BRIG.(RETD.) KAMAKHYA PRASAD SINGH DEO

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have taken any action for the rationalisation and regulation of Non-Banking Finance Companies (NBFCs) and Residuary Non-Banking Finance Companies (RNBFCs); and

(b) If so, the details thereof ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) & (b) :- Reserve Bank of India (RBI) has reported that Non-Banking Financial Companies (NBFCs) and Residuary Non-Banking Companies (RNBCs) are regulated and supervised by the RBI in terms of powers vested with it under Chapter III B and Chapter -V of the Reserve Bank of India Act, 1934.

In exercise of the powers vested with it under RBI Act, Reserve bank has issued directions to NBFCs and RNBCs from time to time. These directions are amended from time to time.

RBI has further reported that certain amendments have been made by Reserve Bank on January 1, 2002 as a part of the overall rationalisation of regulations to NBFCs and RNBCs. The salient features of these include compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder.

Government has introduced 'The Financial Companies Regulation Bill, 2000' in the Lok Sabha on 13th December, 2000. The Bill has been referred to Standing Committee on Finance by the Hon'ble Speaker, Lok Sabha.